

Operations

Analyst: Hancock

Historical Summary

OPERATING BUDGET	FY 2004 Total App	FY 2004 Actual	FY 2005 Approp	FY 2006 Request	FY 2006 Gov Rec
BY FUND CATEGORY					
General	242,891,300	242,891,300	244,022,100	274,135,300	257,132,500
Dedicated	41,700,000	41,700,000	26,907,800	22,469,700	22,469,700
Federal	5,180,000	5,180,000	5,314,600	5,550,800	5,550,800
Total:	289,771,300	289,771,300	276,244,500	302,155,800	285,153,000
Percent Change:		0.0%	(4.7%)	9.4%	3.2%
BY OBJECT OF EXPENDITURE					
Lump Sum	289,771,300	289,771,300	276,244,500	302,155,800	285,153,000

Division Description

Provide state and federal funding in support of the operations of Idaho's public charter schools and 114 school districts, grades K-12.

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2005 Original Appropriation	0.00	244,022,100	276,244,500	0.00	244,022,100	276,244,500
Removal of One-Time Expenditures	0.00	(5,000,000)	(5,000,000)	0.00	(5,000,000)	(5,000,000)
Base Adjustments	0.00	165,900	165,900	0.00	(1,134,100)	(1,134,100)
FY 2006 Base	0.00	239,188,000	271,410,400	0.00	237,888,000	270,110,400
Benefit Costs	0.00	570,500	570,500	0.00	0	0
Inflationary Adjustments	0.00	271,400	271,400	0.00	0	0
Nonstandard Adjustments	0.00	4,115,500	4,351,700	0.00	3,821,300	4,057,500
Public School Base Salary Increase	0.00	1,089,300	1,089,300	0.00	1,074,800	1,074,800
Fund Shifts	0.00	4,438,100	0	0.00	0	(4,438,100)
FY 2006 Program Maintenance	0.00	249,672,800	277,693,300	0.00	242,784,100	270,804,600
1. Discretionary Funds	0.00	5,625,100	5,625,100	0.00	5,348,400	5,348,400
2. Base Salary Increase	0.00	2,178,400	2,178,400	0.00	0	0
3. ISIMS	0.00	7,659,000	7,659,000	0.00	0	0
4. Technology	0.00	9,000,000	9,000,000	0.00	9,000,000	9,000,000
FY 2006 Total	0.00	274,135,300	302,155,800	0.00	257,132,500	285,153,000
Change from Original Appropriation	0.00	30,113,200	25,911,300	0.00	13,110,400	8,908,500
% Change from Original Appropriation		12.3%	9.4%		5.4%	3.2%

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2005 Original Appropriation	0.00	244,022,100	26,907,800	5,314,600	276,244,500
Removal of One-Time Expenditures					
Removes one-time funding for technology.					
Agency Request	0.00	(5,000,000)	0	0	(5,000,000)
Governor's Recommendation	0.00	(5,000,000)	0	0	(5,000,000)
Base Adjustments					
Transfers the classified staff share of unemployment insurance funds from the Division of Teachers.					
Agency Request	0.00	165,900	0	0	165,900
The Governor recommends removing the funding floor provision from Idaho Code, resulting in a reduction in state costs.					
Governor's Recommendation	0.00	(1,134,100)	0	0	(1,134,100)
FY 2006 Base					
Agency Request	0.00	239,188,000	26,907,800	5,314,600	271,410,400
Governor's Recommendation	0.00	237,888,000	26,907,800	5,314,600	270,110,400
Benefit Costs					
Reflects the increase in employer-paid PERSI retirement contribution rates, from 10.39% to 11.00%.					
Agency Request	0.00	570,500	0	0	570,500
The Governor does not recommend increases related to changes in the Public Employee's Retirement System.					
Governor's Recommendation	0.00	0	0	0	0
Inflationary Adjustments					
Includes a general inflationary increase of 1.3% in state discretionary funds.					
Agency Request	0.00	271,400	0	0	271,400
The Governor recommends no increase for general inflation.					
Governor's Recommendation	0.00	0	0	0	0
Nonstandard Adjustments					
Statutorily-required Nonstandard Adjustments include an enrollment-driven increase of 175 support units (\$1,767,800) and an increase in pupil transportation costs (\$2,347,700). Of the transportation costs, \$748,800 is attributable to a 1.3% inflationary increase in regular pupil transportation costs, while \$1,598,900 is attributable to the cost of delivering virtual education to home-based students in virtual charter schools. Nonstandard Adjustments not required by statute include an increase in the portion of federal funds that are attributable to operations (\$236,200).					
Agency Request	0.00	4,115,500	0	236,200	4,351,700
The amount of funds necessary for increased support units is reduced, due to the reduction or elimination of other cross-multipliers in the formula, such as the PERSI rate increase, and additional base salary increases beyond the 1% recommended.					
Governor's Recommendation	0.00	3,821,300	0	236,200	4,057,500
Public School Base Salary Increase					
Agency Request	0.00	1,089,300	0	0	1,089,300
The Governor recommends a 1% increase in statutory base salaries.					
Governor's Recommendation	0.00	1,074,800	0	0	1,074,800

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
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Fund Shifts

Requests that the state General Fund make up for a projected reduction in endowment fund revenues. The reason for this reduction is a result of the Land Board's desire to further reduce the annual distribution rule for the Public Schools endowment. This distribution rule, which was designed to be a stable percentage that could be sustained in perpetuity, has, in fact, been altered by the Land Board in nearly every fiscal year of the rule's existence, due primarily to stock market losses, but also to struggling timber markets. The history of the Public Schools endowment distribution rule is as follows:

FY 2001: 8.5%
FY 2002: 8.0%
FY 2003: 7.5%
FY 2004: 7.5%*
FY 2005: 5.0%
FY 2006: 4.0%

If the state follows a 4% distribution rule for FY 2006, it is projected that the Public Schools Earnings Reserve Fund will end the fiscal year with a free fund balance of just over \$44 million, after the deduction of all distributions and administrative costs.

*Cash shortfall reduced actual distribution to 6.4%.

Agency Request	0.00	4,438,100	(4,438,100)	0	0
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The Governor does not recommend appropriating General Funds to replace endowment funds lost as a result of the Land Board reducing the distribution rule from 5% to 4%.

Governor's Recommendation	0.00	0	(4,438,100)	0	(4,438,100)
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FY 2006 Program Maintenance

Agency Request	0.00	249,672,800	22,469,700	5,550,800	277,693,300
Governor's Recommendation	0.00	242,784,100	22,469,700	5,550,800	270,804,600

1. Discretionary Funds

This enhancement would provide additional ongoing discretionary funds for school districts. While the bulk of the state's appropriation for public schools is directed by either statute or earmarks within the appropriation bill itself, these funds would flow to school districts with no specific directions as to their use. This request is in addition to the discretionary \$271,400 requested under the standard, statewide 1.3% inflation calculation.

Agency Request	0.00	5,625,100	0	0	5,625,100
Governor's Recommendation	0.00	5,348,400	0	0	5,348,400

2. Base Salary Increase

This enhancement would provide ongoing funding for a 2% increase in the base salary component of the public school funding formula for classified staff, in addition to the 1% increase requested above. This requested percentage increase is identical to the increases being requested for administrators and teachers. The Legislature funded a 1% base salary increase for classified staff in FY 2005. The decision of whether or not to fund base salary increases does not automatically translate into pay increases (or not) for school district employees, since all salary decisions are made locally. This enhancement is, however, one of several key decision points that impact how much money school districts will have available for pay increases.

Agency Request	0.00	2,178,400	0	0	2,178,400
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Not recommended by the Governor.

Governor's Recommendation	0.00	0	0	0	0
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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
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3. ISIMS

Section 33-1002, Idaho Code, requires the state to spend an amount on the Idaho Student Information Management System (ISIMS), beginning in FY 2006, that is "not less than that expended by the state and the J.A. and Kathryn Albertson foundation combined, on operation of the project in fiscal year 2004-2005" (FY 2005). It has been projected that the state and foundation will spend a combined \$9 million on ISIMS operations in FY 2005, which means that the request may fall short of the statutory requirement.

The Albertsons Foundation halted further development on the ISIMS project in December 2004, when the estimated cost to complete ballooned from \$35 million to \$180 million. The Superintendent of Public Instruction, however, has requested state funds to continue with the development of a "bare bones" system. This scaled-down ISIMS would still enable teachers and administrators to track student performance, but would not include other features envisioned in the original design, including teacher access to lesson plans and allowing parents to monitor their children's grades and test scores online.

Analyst Comment: The original proposal agreed to by the state was that the foundation would deliver a finished product to the state by June 30, 2005, which the state would then maintain on an ongoing basis.

Agency Request	0.00	7,659,000	0	0	7,659,000
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The Albertson Foundation has halted the project due to cost overruns and software incapability. The agreement was for the state to provide funds for maintenance upon completion. As the project is not viable, no additional resources are recommended.

Governor's Recommendation	0.00	0	0	0	0
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4. Technology

This enhancement requests an increase in the amount of one-time funding for the Public School Technology Grant Program, from \$5 million to \$9 million. This amount, when combined with the \$3.4 million of base support, would provide a total of \$12.4 million in earmarked state funding for technology. The amount of this request is being increased from past years because of school districts' increasing reliance on technology, and the increased technological demands of the Idaho Student Information Management System (ISIMS). Under the direction of the Idaho Council for Technology in Learning, the technology grant program distributes \$20,000 to most districts, with a lesser amount to smaller districts, plus \$35 per student. Although many classrooms have been helped by these funds over the last nine years, the need to upgrade classroom equipment and train teachers in the effective use of these resources continues, due to changing technology and teacher attrition.

Agency Request	0.00	9,000,000	0	0	9,000,000
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Governor's Recommendation	0.00	9,000,000	0	0	9,000,000
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FY 2006 Total					
Agency Request	0.00	274,135,300	22,469,700	5,550,800	302,155,800
Governor's Recommendation	0.00	257,132,500	22,469,700	5,550,800	285,153,000

Agency Request

Change from Original App	0.00	30,113,200	(4,438,100)	236,200	25,911,300
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% Change from Original App		12.3%	(16.5%)	4.4%	9.4%
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Governor's Recommendation

Change from Original App	0.00	13,110,400	(4,438,100)	236,200	8,908,500
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% Change from Original App		5.4%	(16.5%)	4.4%	3.2%
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